



United States
Department of
Agriculture

Risk
Management
Agency

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BULLETIN NO.: MGR-06-002

TO: All Reinsured Companies
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Eldon Gould /s/ *Eldon Gould* 2/8/2006
Administrator

SUBJECT: Harvested Cotton Production Lost Due to Wildfires

BACKGROUND:

Recent fires in the Southwest have burned some cotton modules. The Risk Management Agency (RMA) has been asked whether these wildfires are "natural weather-related events" and whether the resulting losses are insurable under the terms of the Federal crop insurance program. Questions have also been asked concerning determining cause of loss and production to count for indemnities and Actual Production History (APH) purposes for harvested cotton destroyed by fire.

The Federal Crop Insurance Act states that due to quality under a plan of insurance, the losses of the insured commodity must be due to drought, flood, or other natural disaster. The Cotton Crop Provisions state fire occurring within the insurance period is a covered peril and that insurance ends when the cotton is removed from the field. The Common Crop Insurance Policy Basic Provisions (Basic Provisions) requires that to be covered under the policy, the loss must be due to a naturally occurring event.

ACTION:

- 1) Insurance coverage for fire loss to harvested cotton in the field is contingent on whether the cause of the fire is due to an insurable cause of loss. To be an insurable cause, the fire must be due to a naturally occurring event. Fires started by arson, burning of trash, third parties, or undetermined causes are not insurable causes of loss.
- 2) The insured must report and document the cause of loss. The approved insurance provider (AIP) must determine whether the loss is insurable. If the AIP determines the cause of loss is insurable, damage to harvested cotton in the field is a covered loss.
- 3) Consistent with section 3(e)(2) of the Basic Provisions, the amount of production used to complete a claim for indemnity will be the production report for that year for APH purposes.



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

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- 4) If no claim has been filed, all harvested production, ginned and unginned, and any appraised unharvested production will be included as production for the purposes of APH if the producer certifies, and has acceptable production records, to support such production. Use the Cotton Loss Adjustment Standards Handbook to determine production for harvested cotton.

DISPOSAL DATE:

This bulletin is for transmitting information and will remain in effect until December 31, 2006.